

CDIAC

**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

DEBT BASICS: COSTS OF ISSUANCE (PART I)

GLENN BYERS

ASSISTANT TREASURER AND TAX COLLECTOR

LOS ANGELES COUNTY TREASURER'S OFFICE

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Costs of Issuance

Costs of Issuance are the expenses associated with the sale of a new issue of municipal securities.

- **Common Costs of Issuance:**
- Bond Counsel
- Financial Advisor
- Trustee / Paying Agent
- Printer
- Rating Agencies

Costs of Issuance - continued

Less Common Costs of Issuance:

- Borrower's Counsel
- Disclosure Counsel
- Escrow Agent
- Verification Agent
- Appraiser
- Title Insurance
- Travel
- Election Costs

There may be State or IRS restrictions on the use of bond proceeds to pay costs of issuance for certain types of tax-exempt bonds.

Discussion

Bond Counsel – the attorney or firm that gives the legal opinion confirming that the bonds or notes are valid and binding obligations of the issuer and that interest is exempt from federal and state income taxes.

Underwriter's Counsel – the attorney or firm that represents the underwriter and its interests in a negotiated sale and reviews documents prepared by bond counsel. Responsibilities may also include the preparation of the Preliminary Official Statement and Official Statement. Competitive sales usually do not require an underwriters counsel, in which case bond counsel, the financial advisor or a disclosure counsel can prepare the POS and OS.

Financial Advisor – a professional retained to advise and assist the issuer with all aspects of bond structure. This may include analyzing the financial feasibility, assessing revenue resources, recommending bond structures and timing into the market, reviewing documents, and analyzing bids on competitive sales.

Discussion – continued

Trustee / Fiscal Agent / Paying Agent – a commercial bank or trust company that performs one or more of the bond administrative duties. This may include holding and disbursing bond proceeds, paying debt service, and accounting for the various funds and accounts.

Printer – the financial printing firm that prints and distributes printed and electronic versions of the Preliminary Official Statement and Official Statement.

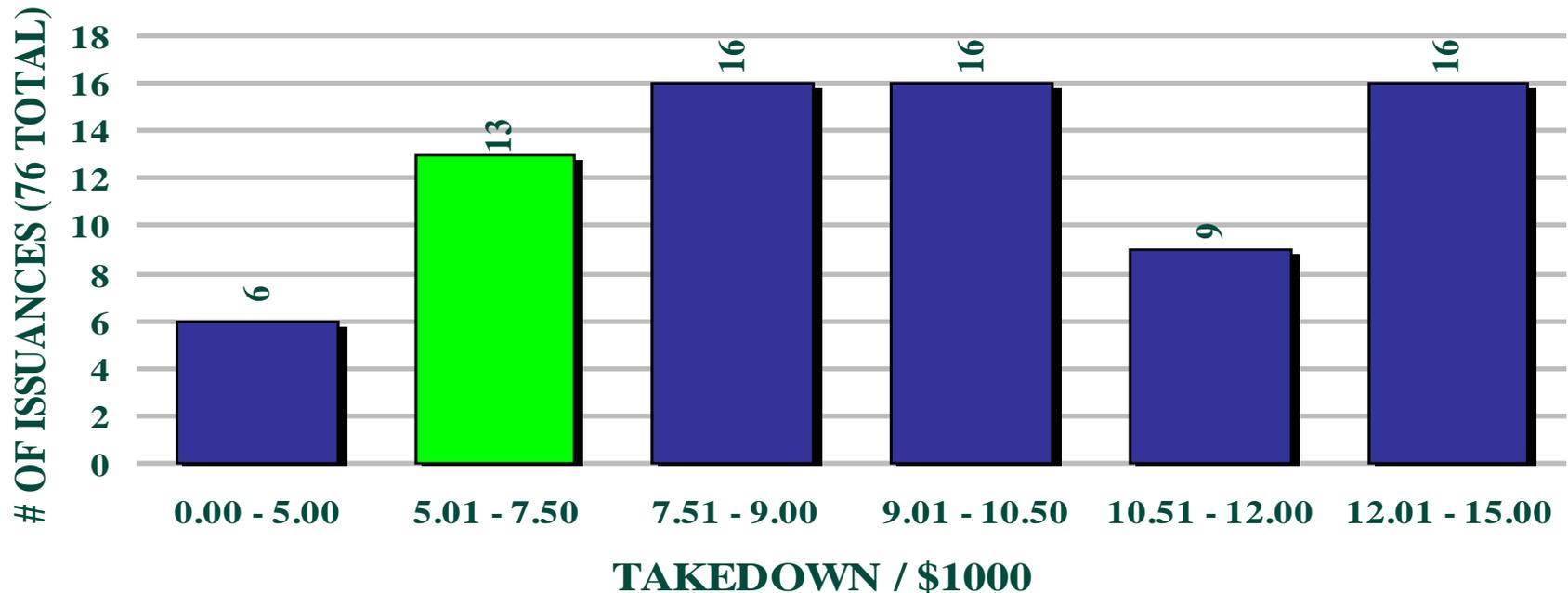
Rating Agency – a credit rating firm that analyze the probability of the bond or note returning all of the principal to the investor. Municipal credit ratings are opinions of the investment quality of the issuer.

Los Angeles County - Major Financings

Medium / Long Term	Closing Date	Par Amount	Bond Counsel	Disclosure Counsel	Financial Advisor	Trustee	Printer Services
2005 Master Refunding	3/2/2005	393,315,000	77,000	0	54,365	2,000	15,586
Calabasas Landfill Project	1/5/2006	38,475,000	80,000	0	90,000	2,750	4,675
Tobacco Bonds	2/1/2006	319,827,107	200,000	150,000	185,000	10,000	15,000
LAC-CAL Equipment 2006	6/28/2006	28,675,000	40,000	0	35,000	5,000	5,000
2006 Master Refunding	12/13/2006	320,995,000	65,278	0	45,000	2,948	5,530
LAC-CAL Equipment 2008	3/13/2008	25,360,000	42,500	0	36,062	3,250	3,604
Multiple Capital Project 2010	11/9/2010	790,905,000	85,000	0	81,000	2,500	2,650
LAC-CAL Equipment 2009	11/1/2009	24,025,000	38,000	0	40,000	1,000	2,950
LAC-CAL Equipment 2011	12/21/2011	55,475,000	40,000	0	45,000	500	3,185
CFD 3 Areas A & B Refunding	12/15/2011	26,610,000	70,000	0	0	500	6,000
Disney Hall Garage Refunding	3/1/2012	50,675,000	75,000	0	60,000	1,000	4,490
Tax and Revenue Anticipation Notes							
2007-08 TRANs	7/2/2007	500,000,000	35,000	5,000	0	0	5,000
2008-09 TRANs	7/1/2008	500,000,000	35,000	12,000	0	0	4,400
2009-10 TRANs	7/1/2009	1,300,000,000	41,016	5,000	0	0	5,000
2010-11 TRANs	7/1/2010	1,500,000,000	41,116	10,000	0	0	2,284
2011-12 TRANs, Series A,B,C	7/1/2011	1,300,000,000	33,000	25,000	0	3,500	2,600

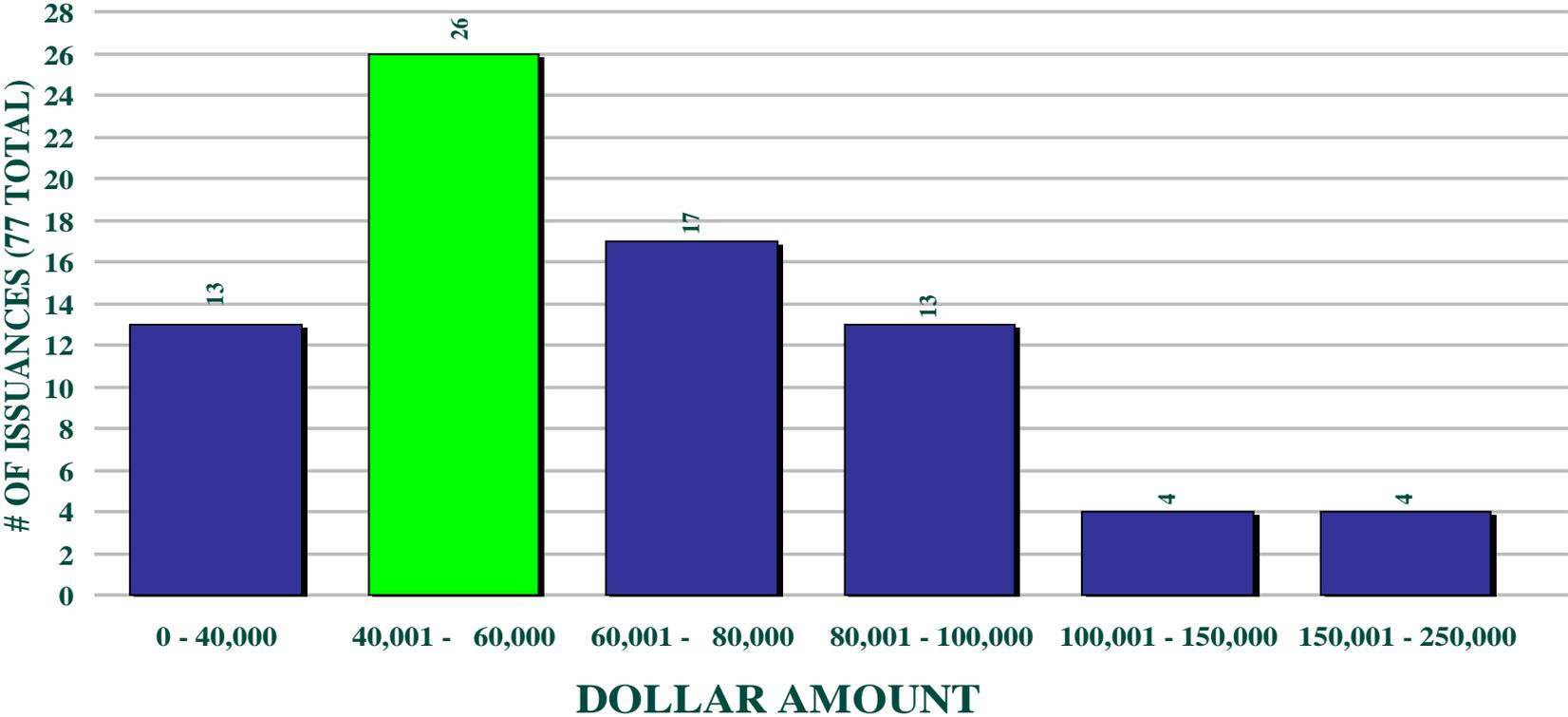
School G.O. Bonds – Los Angeles County

RECENT UNDERWRITER TAKEDOWN RANGE



School G.O. Bonds – Los Angeles County

RECENT BOND COUNSEL FEE RANGE



Conclusion

- Ask questions
- Underwriter, attorney, financial advisor and consultant fees are always negotiable
- RFPs can be completed in less than 30 days
- Changing market conditions – don't assume that what you did last time is the best approach now
- Ask more questions